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Report Highlights:

"What's New, Eh?" * Potato Wart Found Again on Prince Edward Island * Trade Challenge Threatened If U.S. Imposes Country of Origin Labeling * Canadian Government Urged to Open Agricultural Markets, Says Leaked Memo * Grain Workers Union at Vancouver Port Reject Contract Offer * Eastern Europe Feed Grain Enters Eastern Canada * Wet Weather Hampers Saskatchewan Harvest Progress * Ex-Ag Minister to Advise Western Canadian Wheat Growers * Needs of Crop and Feed Industry Guide New Alberta Fusarium Policy
...and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

POTATO WART FOUND AGAIN ON PRINCE EDWARD ISLAND: The Canadian Food Inspection Agency (CFIA) has announced that potato wart disease has been found again on Prince Edward Island, Canada's major potato producing province. The infected field is considered a "contact" field due to its relation with the initial find of potato wart in PEI in October of 2000, and is located about 6 miles from the original site. The CFIA reports it has taken measures to mitigate the risk of spreading the disease. Following the initial discovery of potato wart disease in a field of potatoes in PEI in October 2000, the CFIA and the USDA developed a three-year operational workplan that includes movement restrictions on fields within a buffer area and associated with the affected one (contact fields), a series of surveillance activities and a certification process for potatoes from fields determined to be free of potato wart. According to the CFIA, the new find of the disease was discovered during regular harvest inspection activities, in co-operation with local industry, consistent with the established monitoring program of the three-year workplan. CFIA and officials from the USDA's Animal & Plant Health Inspection Service are meeting in Washington this week to discuss the outbreak.

TRADE CHALLENGE THREATENED IF U.S. IMPOSES COUNTRY OF ORIGIN LABELING: In a *National Post* story, federal Agriculture Minister Lyle Vanclief warned that Canada is prepared to launch an international trade challenge to pending U.S. beef, pork and lamb country of origin labeling rules. After the regulations are unveiled this month for a two-year voluntary period, Vanclief said that the Canadian government will continue to fight the legislation. He cited that Canada's beef and cattle exports to the U.S. totaled C\$3.2 billion last year, representing about 73% of Canadian beef exports. "We will certainly be continuing our effort to get rid of (the regulation) completely. But if we can't get rid of it, the next best thing is to help demonstrate to the Americans that it is not a big benefit to them", said Vanclief, who is hopeful the rules remain voluntary. The Canadian Cattlemen's Association and the Alberta Cattle Commission are reportedly in agreement that the proposed rule violates the NAFTA and WTO agreements and believe that Australia and New Zealand will lend support in a trade agreement challenge.

OTTAWA URGED TO OPEN AGRICULTURAL MARKETS, SAYS LEAKED MEMO: According to a September 4 article from the *Globe and Mail*, Canada must make compromises in trade negotiations that will open domestic markets further to imported agricultural products, clothing and textiles, a draft memorandum to the federal cabinet suggests. The leaked strategy memo, says the government can expect opposition from egg, poultry and dairy producers, clothing and textile manufacturers and "certain service sectors" that are now also protected from foreign competition. The final draft of the memo, prepared last month by federal officials, could go to the cabinet by the end of the week. The memorandum says "negotiations involve compromises. Sectors of the economy that enjoy protection from foreign competition will object to any changes to the status quo, especially during an economic slowdown." Ottawa's strategy, the memo suggests, should be to acknowledge that the give-and-take of trade talks requires Canada to "extend some market-opening measures" to other countries. The memo, prepared by officials in the finance, industry and foreign affairs and international trade departments, seeks cabinet approval for Trade Minister Pierre Pettigrew to proceed with negotiations for a new multilateral agreement under the umbrella of the World Trade Organization. Mr. Pettigrew is to report back to cabinet on progress before next September and get an amended negotiating mandate, if necessary, at that time. The 53-page memorandum says that Canada will face pressure to reduce trade barriers in "traditionally sensitive sectors," such as eggs, poultry and dairy production." The memo says Ottawa can expect "well-organized opposition" within Canada to criticize further trade liberalization.

MORE FEDERAL FUNDING FOR HAY WEST CAMPAIGN: Lyle Vanclief, Minister of Agriculture and Agri-Food, announced that the federal government will pay for the use of an additional 190 rail cars for the Hay West campaign, more than doubling its rail car contribution.

Last month, the government announced it would pay for the use of 187 rail cars, matching the number of cars donated at that time by Canadian Pacific and Canadian National Railways. The rail cars will be used to transport hay donated by Central and Eastern Canadian farmers to drought-stricken prairie livestock farmers experiencing feed

shortages. Total federal support for the campaign to date is C\$3.8 million.

GRAIN WORKERS UNION AT VANCOUVER PORT REJECT CONTRACT OFFER:

According to various media sources, members of the Grain Workers Union (GWU) at the port of Vancouver voted August 29 100% against the contract offer from the British Columbia Terminal Elevator Operators Association (BCTEOA). The association since declined the union's request to resume negotiations, causing speculation that a federal mediator may be appointed. The Canadian Wheat Board moved quickly to minimize losses from shipping delays caused by a lockout of grain handlers at the port of Vancouver, the main export point for Canadian grain, invoking clauses in their contracts with customers that prevent late penalties. The move is saving the CWB - and the farmers who get paid through the board - a potential C\$10,000 a day in charges for each vessel. There are three ships right now that are covered by the clause, the spokesperson said. The CWB will begin shipping grain to the port in Prince Rupert. The GWU also represents workers at the port of Prince Rupert, but contract talks there, which are ongoing, are conducted separately.

DROUGHT FORCES CANADA TO CONSIDER RUSSIAN GRAIN: A September 5 article from the *Globe and Mail* reported that in a reversal of historic roles, Russia said yesterday that it will export grain to Canada, because of the drought that has plagued Prairie farmers. Deputy Agriculture Minister Anatoly Mikhalev said in Moscow that Russia will ship \$12.6-million worth of grain, or about 50,000 tonnes, by the end of the year. But, according to the September 5 edition of *Good Morning Ontario*, a Canadian official said on Wednesday it was unlikely Canada

was buying high-quality Russian milling wheat despite the Moscow news report of a grain deal between the two countries. Any Canadian purchase of milling wheat - as opposed to lower-quality feed grain - would be a surprising reversal of usual trade patterns. Bernard Badani, acting director of the grains and oilseed division at Agriculture Canada, said that while some small deals had been signed for the import of eastern European feed grain there was no evidence of any agreements to import milling wheat. Officials also denied that Canada was looking to import high-quality grains because a drought on the Prairies had severely cut Canada's crop yields. A spokesman for Ralph Goodale, the Canadian minister responsible for the Canadian Wheat Board, said if the deal were confirmed it would likely be a private agreement but it was unlikely to involve milling wheat, the highest-quality wheat.

EASTERN EUROPE GRAIN ENTERS EASTERN CANADA: Also covered in the September 5 edition of *Good Morning Ontario* is an article that reports that grain traders say that this summer about 100,000 tonnes of feed grains were imported to Eastern Canada via the ports of Montreal or Quebec City from the Black Sea region following the severe drought on the Prairies. "This isn't the first time that Eastern Canada has imported feed grain from Eastern Europe. That's just a feature of the feed grain market being very high-priced here. It's a competitive alternative," said Louise Waldman, a spokeswoman for the Canadian Wheat Board, the world's largest wheat and barley exporter but a small player in the global feed grain market.

WET WEATHER HAMPERS SASKATCHEWAN HARVEST PROGRESS: The 2002 crop is now eight percent harvested, compared to the five-year (1997-2001) average of 40% combined, according to Saskatchewan Agriculture, Food and Rural Revitalization's latest weekly crop report. Harvesting of fall-seeded crops is most advanced with 54% of the fall rye and 49% of the winter wheat combined. More than 10% of spring peas, lentils and spring rye has been harvested. Second growth and heavy weed growth is hampering harvest in many areas. The current year's progress does not include acres that will be cut and baled, grazed, or worked under instead of combined. Statistics Canada indicates that as much as 10% of this year's seeded acreage may have been used for these purposes. With six percent of the spring wheat harvested across the province to date, 38% is expected to grade No. 1 Canada Western (CW), 23% 2 CW, 19% 3 CW, and 20% Canada Feed. The 10-year average (1992-2001) is 52% 1 CW. Recent wet weather and insects have resulted in a further downgrading of yields and quality, which were already significantly impacted by drought and frost. Many areas report sprouting, bleaching, moulding, discoloration, lodging, and disease from the recent wet, humid weather. Grasshoppers continue to cause losses in both yield and quality. Sawflies are also causing damage, particularly in central and western areas of the province. Seeding of fall crops is underway in some areas.

EX-AG MINISTER TO ADVISE WESTERN CANADIAN WHEAT GROWERS: According to the Western Canadian Wheat Growers Association (WCWGA), the WCWGA has appointed Charlie Mayer to the position of senior advisor to the board of directors. Mayer was federal ag minister and minister responsible for the Canadian Wheat Board (CWB) in the Progressive Conservative government of Brian Mulroney. Mayer will work with the directors on developing WCWGA strategy as the farmer-based organization addresses the challenges of economic viability and long-term sustainability currently facing the grain industry. He will focus on issues and policies that

influence producers.

NEEDS OF CROP AND FEED INDUSTRY GUIDE NEW ALBERTA FUSARIUM POLICY: According to Alberta Agriculture, Food, and Rural Development, Alberta producers can be assured of significantly reduced risk of Fusarium head blight affecting the province's cereal crops, due to a new provincial policy. Developed in conjunction with agriculture industry stakeholders, the policy sets out "best management practices" for feed entering Alberta and a zero-tolerance policy for Fusarium-infected seed. Fusarium is a head blight that affects cereal grains, rendering them useless for commercial applications. Alberta Agriculture, through employees in municipal districts and counties under their Agricultural Service Boards, will enforce the policy under the *Agricultural Pests Act*. This policy is effective October 1, 2002. Severe penalties face those who choose not to observe the policy, such as seizure and destruction of infected grain. All costs associated with control of Fusarium will be passed onto the violator of the policy. Currently, Fusarium is a declared pest under the Agricultural Pests Act and previously was limited to voluntary compliance. The September 3 edition of *Agriline* reports that under this "best management practices" approach, all grain trucks will have to be cleaned at the point of unloading. Seed must be tested and confirmed free of fusarium and imported seed must be treated with a fungicide.

FUSARIUM CONTAMINATION POSSIBLY LOWER IN MANITOBA, EASTERN SASKATCHEWAN:

The September 3 edition of *Agriline* also reported that fusarium contamination in Manitoba and eastern Saskatchewan may not be as bad as last year, according to early-harvest samples submitted to the Canadian Grain Commission. The article states, though, that very few samples have been tested so far. If fusarium infection levels are low, it will probably be because of a brief dry period during the flowering stage in July.

Did You Know ...that red wine outsold white wine in Canada last year marking a dramatic change in Canadian palates? Traditionally, white wine has been the most popular, but eight consecutive years of double-digit growth have pushed red wine purchases ahead of white for the first time. Source: Canadian Restaurant and Foodservices Association.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2106	Updated Wheat and Corn Outlook for 2002/03	9/04/2002
CA2105	This Week in Canadian Agriculture, Issue 30	8/30/2002

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